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SUBJECT: NICARAGUAN CIVIL AVIATION BILL CLEARED FOR TAKEOFF

¶1. (SBU) Nicaraguan National Assembly (NA) legislators confirm that the NA plans to vote on a civil aviation bill next week. The bill passed on first reading in 2004, but the required second vote on individual articles has languished. Econoff discussed the bill with airline officials and the Nicaraguan Director of Civil Aviation. The Ambassador recently met with a member of the Transportation Committee to encourage passage of the bill as well as elimination of non-free market provisions. Post is optimistic that the new law will pave the way for Nicaragua to be declared a Category One country by the Federal Aviation Administration (FAA), serving as an economic and commercial boon in this sensitive election year.

¶2. (SBU) The Civil Aviation bill establishes an independent Civil Aviation Authority (CAA) for Nicaragua. Currently, the Directorate of Civil Aviation is a subunit of the Ministry of Transportation (MTI). The bill increases funding for civil aviation from US \$700,000 a year to \$1.2 million. The bill will also update Nicaragua's Civil Aviation Code to bring it into compliance with International Civil Aviation Organization (ICAO) standards. (Note: The Directorate of Civil Aviation - soon to be the CAA - generates an additional \$250,000 a year from airport rent and other fees. Also, the budget for the CAA was significantly increased in committee only after lobbying by econoff in 2004 at the behest of the Director of Civil Aviation. End Note)

¶3. (SBU) Several articles objectionable to both domestic and international air carriers were included in the original version of the bill. Two of these provisions would violate the US-Nicaragua Air Transport Agreement of 1997 - - A 6% surcharge on all tickets that would be transferred to local travel agents, and a requirement that all fares (and their underlying economic rationales) be submitted to the GON 30 days in advance for prior review. After pressure from post, the airlines, and the tourism industry, it now appears that these articles will be stricken and an article stipulating that all elements of the new law must abide by international commitments will be added. On April 25, Rosa Chavez, the General Director of American Airlines' Nicaragua office, told econoff that even if the objectionable provisions remain, the Nicaraguan Association of Airlines would prefer a flawed bill to no bill.

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